



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

To the Honorable Mayor
and Members of the Board of Commissioners
Pittsboro, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Pittsboro (the "Town") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Board's internal control to be significant deficiencies:

Accounting Policies and Procedures Manual

We noted during our audit procedures that the Town currently does not have a written set of policies and procedures as it relates to the accounting function of the Town's financial operations. It is important to document the policies, procedures and controls over the Town's financial operations. The Town currently has a small finance department and loss of any key personnel could hinder the accounting of the Town's financial operations due to lack of support on how the department operates. A written set of policies and procedures also serves as a reminder to current personnel how the department operates. We recommend the Town study its financial operations and produce a manual concerning its financial operations.

During our audit, we also became aware of other matters than the previously reported significant deficiencies that we believe are opportunities to strengthen operating efficiency.

Capital Assets

We noted during our audit procedures that the Town is completely reliant on its auditors to track its capital assets and calculate their annual depreciation. The Town does not keep a list of its capital assets and therefore cannot identify impaired assets nor conduct a complete inventory of them. We recommend the Town implement its internal accounting software to track its capital assets.

Personnel Files

We noted during our audit procedures that the Town is not effectively tracking pay rates for the Town's staff. All staff's pay rate changes should be documented in their personnel files in order to ensure that staff are being paid at the correct rates. We recommend the Town enact a system to which all approved rate changes are properly documented and included in individual personnel files.

Other Postemployment Benefits

We noted during our audit procedures that the Town calculates the estimated Other Postemployment Benefits. As this potential liability increases, the ability of the Town to correctly calculate this estimate may decrease. We recommend that an independent third party actuary be utilized to calculate this estimated liability.

This communication is intended solely for the information and use of management, the Board, federal and State awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Rives & Associates, LLP

November 27, 2013